

JOURNAL OF THE AMERICAN WATER WORKS ASSOCIATION

29 West 39th Street, New York, N. Y.

MONTHLY NEWS BULLETIN

Action by American Water Works Association

TAKEN TO AVERT CRIPPLING WATER SERVICE AND TO PROVIDE EMPLOYMENT OF NATION WIDE DISTRIBUTION ON NECESSARY PUBLIC WORKS, WITH RESULTING EQUITABLE ALLOCATION OF THE BUYING POWER CREATED.

THE American Water Works Association in its 52nd Annual convention at Memphis is gravely concerned over the critical condition of water works throughout the country, which is arising from the stoppage of normal improvements, postponement of needed betterments and curtailment of trained operating staffs, and by the large increase in unemployment due to vanishing construction work.

It finds that public health, community welfare and property are being jeopardized by water service crippled for meeting normal demands, or by complete lack of water supplies in communities large enough to need and support them. It recognizes also that the continuance of adequate service absolutely depends upon present construction of those facilities which will be needed in the immediate future.

It has already made a study which shows: that the lag in normal water works construction plus those improvements needed to maintain or raise the standard of service amounts to \$500,000,000, that this cost can be supported by relatively low charges for the service rendered (the increase averages less than

50 cents per capita per year to those who benefit) and that many of these improvements are already planned and can be started without delay.

It is convinced that this necessary construction offers the readiest opportunity for creating large scale employment on sound self-supporting public works of nation wide distribution, thus equitably allocating the buying power which would be created.

It finds that public opinion, led by opinion of private financial and investment services, in concert with the wholesale measures being taken to reduce other community services that are paid out of tax money, has caused the abandonment of water works projects already authorized and the refusal to finance or even consider new ones, regardless of their merits or the resulting loss in property, public health and general welfare.

Recognizing the vital necessity of safe and adequate water supplies and of distribution facilities sufficient not only to deliver water to consumers but also to protect property against fire, the American Water Works Association urges upon citizens and the national government prompt and effective action to:

1. Revive current reinforcement and betterment construction;
2. Maintain full water service by insisting on continuance of normal operating staffs of experienced men;
3. Initiate improvements to provide uniformly high standards of quality, service and fire protection;
4. Provide means for assuring adequate credit at reasonable rates to water works systems.

Speech by Col. W. T. Chevalier, at Memphis Convention, May 2, 1932

I SHOULD like to add my second to this resolution, and in doing it to second what Mr. Pirnie and Mr. O'Brien have so well said. Right now we are up against very well organized and far flung propaganda against investment in public services disguised under the form of a protest against excessive taxation.

We must sympathize, of course, with the taxpayer who must pay the bill for community service; we are bound to because we are all in the same boat. We must sympathize with anyone who has to pay for anything in these difficult times. This is an appealing cause. But because we hear so much half-truth and error given out in its support it is hard to distinguish between what is sound and what is pure propaganda. For example, in the morning paper here, I see a story emanating from the Tennessee Manufacturers Association, setting forth the case that is being made against excessive taxation and from it I want to quote two sentences that profess to set forth certain principles.

It says, "that the chief hindrance to economic recovery, and altogether the most serious issue before all the people today, is the excessive cost of government in our cities, counties, states, and nation."

Well, the most appropriate answer to that sweeping statement is, in the vernacular, "Is that so?" It is a pretty broad statement that the chief hindrance to economic recovery is the taxes. I venture to suspect that if all the taxes were wiped out tomorrow there would still be a few rather substantial obstacles to economic recovery in this country. Such a statement is a begging of the question, pure and simple, a mere statement of opinion; nothing more and nothing less. Now let's look a little farther down in this same pronouncement.

It continues, "that economy in our national, state, county, and city governments should and must be accomplished through the elimination of unnecessary bureaus, commissions, boards and employees on public payrolls."

Of course, we are all in favor of the elimination of unnecessary commissions, boards and what-nots. But who is to

define what is "unnecessary?" Furthermore we are told that we must have "reductions in salaries and wages and drastic curtailments in appropriations of every sort." Again too sweeping, it seems to me. Are the manufacturers who subscribe to this doctrine willing to curtail drastically the fire protection that the community gives to their plants? Are they willing to curtail drastically the police protection that is given to their lives and property? Are they willing to curtail drastically the rest of the services rendered to them by the community upon which their very existence, to say nothing of their prosperity, depends? I think not. Such a statement is just more words, designed to build up a case. There is nearly a column of such words here.

But they mean nothing, gentlemen, unless we begin to define what we mean by taxation? What do we mean by governmental expense? I have seen figures from kindred sources designed to show how tremendous has been the increase in the cost of government over the last thirty years. We are told that municipal expenditures today are six times what they were and that this proves extravagant waste of the taxpayer's money. But what do we mean by the cost of government? Those who quote these figures lose sight of the fact that our population in our cities has increased tremendously in that period and when we reduce these expenditures to a per capita basis we find that the discrepancy is cut in half, or more, at one swoop. Then, too, we find that our citizens, including those who now protest, have been demanding increasing service from the community in keeping with the standards and habits of living of our people. If our communities do not provide them with these essential services, they will be provided by some private enterprise and paid for by the citizen to someone in some form or other.

The reason that the so-called cost of government has gone up so rapidly in a generation, gentlemen, is because our cities and states no longer are permitted to confine their activities to the business of government. Our cities have been forced by the developments of our times to go in the service of the citizens, to render services that in another day were unnecessary or were rendered by private enterprise. Consider what the advent of the automobile, to cite but one example, has done to our highway service. There was once a private enterprise known as the "Toll Road," whereby we

paid for transportation and communication. But that became obsolete and we have demanded that government take over that function including both construction and regulation. There was once almost entirely the private supply of water. We have demanded in many cases that government take over that function. There was once even the private rendering of fire protection. We have demanded that government take over that function. So I might go on through the long list of services that we have demanded that our government render to us and for which we must expect to pay.

We have demanded higher standards in these facilities, in the services and the commodities that government has been required to render, so any comparison between the so-called cost of government thirty years ago and today is quite beside the point. We are comparing two things that are not comparable.

Another factor is the change in the value of the dollar. We have been comparing services at one period with services at another period where relative buying power has been very different. And furthermore, and what is more important, these propagandists have been refusing to recognize the difference between costs of operation and investment in capital facilities. There isn't a business man in this country who would try to balance a budget by including in his disbursements those investments in capital facilities that he makes to expand his plant, and yet that is what we are asked to do when we balance a governmental budget.

The Federal Government budget that we hear so much about today includes the sums that are spent on capital investments, so when we are told we must cut the cost of government, we are told to cut down the investment that we make in those capital facilities, in other words the service to the community.

Now then, if we will make an allowance for the increase in population, and for the change in the value of the dollar, we will find that from the peak of 1911 to that of 1927 the annual investment per capita for permanent improvements has shown an increase of only six percent. That is what is left after deflating a lot of the ballyhoo about extravagance that is being offered to us today in the name of governmental economy.

Now let us be fair. Let us admit that there is plenty of room for economy in government. Let us admit that there are plenty of places where we can econo-

mize, but the devil of it is that those places are so dear to the heart of the politicians that they will not be touched.

The economies demanded must, therefore, be made at the expense of those services and public works that represent value to the common citizen rather than at the expense of political patronage which means so much to the politicians.

The duplication of the governmental functions throughout our towns and townships and villages and counties and states is a devastating picture of waste. The unnecessary office holders, expense and activities that are maintained because of obsolete and anachronistic forms of government all the way from our states right down to our villages constitute an appalling waste. But will those be touched? I think not, because those represent the prerequisites and the support of the body of politicians who batten upon the tax roll. There is a place where we can economize. No one will contend seriously that our productive municipal servants are overpaid. No one will contend seriously that our water is too plentiful or that it is too pure or too good. No one will contend seriously that our standards of health are too high. Nevertheless we are told that we must slash the cost and the quality and the standard of all these services because some one lacks the courage to approach the problem of governmental economy where it should be approached and to cut where there is waste rather than where there is service.

Now, then, I think that it is up to all of us that have a stake in the community today, as well as in these services to the community, to stand up and hit back. I am tired of seeing men in your position have to take all of this lying down. I listen to so much of this "governmental extravagance" propaganda that I wonder how long we are going to stand and take this criticism and these cuts and this injustice that is levelled against the real, honest services that are being rendered to the community.

Now this resolution offers a point of departure for an effort to strike back. Now quite aside from all that I have said here, quite aside from the merits of true governmental economy, is this matter of the needs of the moment. I don't want to take up too much of your time. I am simply adding a second to this resolution so I am going to let someone else say what I would say on this further score because he has said it so much better than I could. I am going to read to you an editorial from the April

20th issue of "The Business Week." This editorial sums up what I would say. It has a bearing on the implications of this whole broad question that Mr. O'Brien has touched upon, of what does all this mean toward getting us out of our present difficulty. Here it is:

"The curtailment of public construction work practically to the vanishing point under pressure of the economy complex that is paralyzing public administration in this country is not only a powerful deflationary force intensifying the depression, but is the most stupid kind of economy to practice. As we have repeatedly pointed out in these pages, the only possibility of promoting business recovery is by restoring the purchasing power of consumers, and this means applying credit or currency expansion at that point in the economic circle at which it will do so most speedily—which is in the hands of the unemployed.

"Public business is almost the only business left which can expand in the present situation unhampered by considerations of immediate profit. Suspension of public construction as well as most other aspects of 'economiserliness' in public expenditures, is cutting off the principal remaining source of consumer purchasing power and the sole immediate possibility of expanding employment.

"With prospects for total construction for this year running about three billion dollars below 1931 and for public improvements almost one and a half billions below, it looks as though, through the suspension of public construction, we shall be adding a million workers to the ten millions unemployed at present.

"This is not only a calamity deplorable from the point of view of the interest of business generally in maintaining a consumer market; it is equally deplorable from the point of view of sound economy. We may marvel at the immediate mental confusion of steel manufacturers who speed their salesmen on the sanguine task of selling more structural steel with sermons for the public ear on the necessity of cutting public expenditures which now constitute almost the sole source of steel demand; or of automobile manufacturers who cheer attacks of after-dinner speakers on governmental extravagance, a large part of which has consisted in laying tracks for cars that could not otherwise have been sold. We may smile at the unconscious inconsistency of subsidized shipbuilders who sign reports calling for less government in business, although it alone keeps them in business.

"But why should a people in a country plunged into widespread distress in the midst of a surplus of private productive capacity and idle capital, natural resources and even consumption goods sufficient for unparalleled prosperity allow itself to be stampeded into panic and public penury by such appeals? It knows that the complex, fast shifting civilization in which it lives needs and will need an ever-increasing amount of social services provided by public improvements made necessary by new types of transportation and intensified urban congestion. It knows that it can purchase these improvements now much more cheaply than ever before, that it can profitably draw upon its future productive power to buy them now, and that it would be real economy to do so. It knows that there is no more reason why government should expect to cover the cost of such capital investments out of current revenues than for a private business concern to do so. Not only will these improvements pay for themselves, on the same principle that good roads have, out of the increased social efficiency they result in, but they will help to pay for themselves in the increased employment, purchasing power and business activity upon which all tax resources are ultimately based.

"Increased expenditure for public improvements during depression is common sense economy; its curtailment is a form of social suicide, of which a free, sensible, and progressive people should be ashamed."

Now, gentlemen, there is only one way by which taxes can be paid, whether for public works, or for direct benefit, or for a dole, and within twelve months we are going to be faced by the alternative of deciding whether we are going to collect taxes to disperse them in wasteful, demoralizing and inflationary processes, to invest them in the conservation of public wealth in the form of community facilities. There is a normal process and an abnormal process by which to stimulate trade. We offer through a public works program a normal and healthy method of stimulating trade that will make itself felt all the way down the line from the retailer to the manufacturer.

We will take that way, gentlemen, or we will be compelled to take the other way; and it will be unfortunate, indeed, if we must sacrifice our needed public works and community facilities in the interest of political relief in the form of a dole or direct relief by any other name.

I second the resolution as offered.